Government of Alberta ■

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GAS ROYALTY OPERATIONS
INFORMATION BULLETIN
March 2012

A. PRICING RATES AND TRANSPORTATION INFORMATION
Pricing, Royalty Rates and Transportation Information – January 2012 2
Sulphur Default Price 2

B. NOTICES
New and Revised Meter Station Factors 2

C. MONTHLY INFORMATION
January 2012 Royalty Due April 30 2
February 2012 VA4 Due April 15 3
Registry Deadline Submissions 3
Interest Rate March 2012 3
December Provisional Assessment Charge 3
December Penalty Charges 3
Gas Royalty Operations Support 4
Well Event Measured Depth Determination Letter 4

D. INFRASTRUCTURE DATA CHANGES
Client ID Listing 4
Client Status Changes 5
Nova Tolls – Multiple Gas Reference Prices 5

E. REMINDERS
Pricing Rates and Transportation Information 5
Correspondence Address for Royalty Deposits 6
Monthly Sulphur Corporate Average Price Calculation – VA4 Form 6
Submission of Production Year 2011 Allowable Cost (AC) and Sulphur Corporate Average Price Calculation (VA3) Submissions 7
Capital and Operating Cost Allowance Filing – Expected AC2 Reports on the Registry 8
Custom Processing Allowance Fees Paid – Expected AC5 Reports on the Registry 9

F. POINTS OF CONTACT
Petroleum Registry of Alberta 10
Alberta Energy Internet 10
Volumetric & Cost Reporting 10
Reference Prices and Valuation Allowances Calculation Information 12

PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

PRICING RATES AND TRANSPORTATION INFORMATION

A. For Pricing, Royalty Rates and Transportation Information for January 2012, refer to the Information Letter.

The monthly default sulphur price for January 2012 is $94.61.

Annual Sulphur Default Price

2006	2007	2008	2009	2010
$18.89	$32.53	$297.38	$5.83	$42.19

B. NOTICES

New and Revised Meter Station Factors

The department has published in Information Letter 2012-13, new and revised Meter Station Factors. Meter Station Factors for new meter stations are identified in Attachment 5 and are effective for the production periods January 2011 to December 2011. Meter Station Factors identified in Attachment 4 are effective the January 2012 production period and subsequent production periods until otherwise changed.

Note: Meter stations represented as ATCO Pipeline North and ATCO Pipeline South in Attachment 4 are now operated as an integral part of the NGTL System. As such, these Meter Station Factors were calculated on the same basis as all other NGTL Meter Station Factors.

If you have any questions, please contact Terry Rayne, Acting Director, Pricing and Analysis at (403) 297-5465 or e-mail at terry.rayne@gov.ab.ca.

C. MONTHLY INFORMATION

January 2012 Royalty Due April 30

- **Royalty clients are to remit the total amount payable shown on the April 2012 Statement of Account by April 30, 2012.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The April 2012 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your**

January 2012 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

- Current period interest will not be charged on current invoice charges for the production month of January 2012 if it is paid in full by April, 2012.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

February 2012 VA4 Due April 15

The VA4 forms for the production month of February 2012 are due in the department offices by April 15, 2012.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."***

Interest Rate March 2012

Alberta Energy's interest rate for March is 4.00%.

December Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the December 2011 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$1,954,658.83	($10,011,185.96)	($8,056,527.13)

December Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the December 2011 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2011/12
AC2	$18,200	($58,200)	($40,000)
AC4	$0	$0	$0
AC5	$0	$0	$0
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$100	$0	$100
Total	**$18,300**	**($58,200)**	**($39,900)**

Gas Royalty Operations Support

Upon request, Gas Royalty Operations staff will be available to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to contact your respective Gas Royalty Volumetric and Cost Reporting portfolio representative, as identified in Section F of this bulletin, to arrange a meeting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via the PRA on March 01, and March 13, 2012. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the new royalty formula. A well event that is not listed on the letter and does not have aconfirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through the PRA to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Pricing Rates and Transportation Information

Effective March 2012, the pricing rates and transportation information will no longer be reported as attachments in the Information Bulletin. A link will be provided to the Natural Gas Royalty Prices and Allowances Information Letter for this data. A new notice will be submitted monthly in the Information Bulletin to report sulphur prices.

Correspondence Address for Royalty Deposits

Effective immediately, all queries relating to Royalty Deposits should be forwarded to the Management Information Team at ManagementAssurance.Team@enr.gov.ab.ca

Monthly Sulphur Corporate Average Price Calculation – VA4 Form

The Department requires royalty clients with an annual sulphur production of 30,000 tonnes or greater in the 2011 production year to file VA4 forms monthly, beginning with the January 2012 production month. The VA4 form is due on or before the 15th day of the second month following the respective production month. A royalty client whose annual sulphur production is less than 30,000 tonnes may choose to file the VA4 forms monthly beginning with January's production month; however, if this choice is made, the client must file VA4 forms for the entire year. The Department will use the VA4 forms to determine each client's monthly Sulphur Corporate Average Price (S-CAP) and the monthly sulphur default price. We calculate each month's sulphur default price as the weighted average unit value of all arms length sales for all clients who filed VA4 forms for that month. The Department will value and invoice the Crown royalty share of sulphur production monthly using the respective S-CAP price for clients who file VA4 forms, and the sulphur default price for clients who chose not to file VA4 forms. The VA4 form is subject to $100 in late filing penalties for each month or part of the month the form is past due. The VA4 form for the production month of January 2012 is due in the department by March 15, 2012.

Royalty clients who file monthly VA4 forms must file annual VA3 forms. The VA3 form remains the primary sulphur valuation tool and the S-CAP determined from each VA3 will replace the entire year's monthly prices determined from the VA4 forms. The VA3 is due on or before April 15th of the year following the year of production. Interest is charged/paid on the Crown royalty difference when adjusting from monthly to annual valuation. The VA3 form is subject to a one-time $1,000 late filing penalty.

The following royalty clients must submit VA4 forms effective with the 2012 production year, which includes any pricing information for each of its consolidated/amalgamated entities:

Client ID	Client Name	Client ID	Client Name
0017	IMPERIAL OIL RESOURCES	0R46	HUSKY OIL OPERATIONS LIMITED
0026	ENCANA CORPORATION	0RC3	DIRECT ENERGY MARKETING LIMITED
0039	TALISMAN ENERGY INC	0YT7	MANCAL ENERGY INC
0BP8	PENN WEST PETROLEUM LTD	0Z0H	HARVEST OPERATIONS CORP
0CW8	COMPTON PETROLEUM CORPORATION	A2F0	SHELL CANADA ENERGY
0F3F	DEVON CANADA	A2TG	TAQA NORTH LTD.
0HE9	CANADIAN NATURAL RESOURCES LIMITED	A517	WESTFIRE ENERGY LTD.
0JL8	APACHE CANADA LTD.	A5R5	PENGROWTH ENERGY CORPORATION
0JT1	EXXONMOBIL CANADA ENERGY	A5RE	ENERPLUS PARTNERSHIP
0L0D	SUNCOR ENERGY OIL AND GAS PARTNERSHIP	A637	NEP CANADA ULC
A65L	SINOPEC DAYLIGHT ENERGY LTD.		

Submission of Production Year 2011 Allowable Cost (AC) and Sulphur Corporate Average Price Calculation (VA3) Submissions

Allowable Cost (AC1, AC2, AC3 and AC5) and Annual Corporate Average Price Calculation - Sulphur (VA3) submissions for the 2011 production year are due on the following dates:

Form Type	Due Date	Penalty
AC1	March 01, 2012	-
VA3	April 16, 2012	$1,000/One time only
AC2	April 30, 2012	$100/Form/Month upon due date to a maximum of $600
AC3	May 15, 2012	-
AC5	May 15, 2012	$100/Form/Month upon receipt to a maximum of $600

Operating costs must be reported with capital costs (AC2) on one submission. Details on the changes to Gas Cost Allowance are available on the Alberta Energy Internet address: www.energy.alberta.ca. From Our Business, navigate to Natural Gas, Legislation, Guidelines & Policies, Gas Royalty Information Bulletins, Changes to Gas Cost Allowance link.

Facility Cost Centre (FCC) operators are required to complete all allowable cost submissions (initial and amended filings for current and prior production years) on the Registry. Although use of the Registry to submit AC3 and AC5 data is mandatory for operators, it remains voluntary for non-operators. However, non-operators are strongly encouraged to use the Registry to submit and retrieve their AC3 and AC5 data. The business rules and submission method for VA3

submissions remain the same with notification from the department informing clients that their submissions have been processed. Annual allowable cost submissions are processed nightly except during an invoice run cycle. New facility cost centre set-ups are processed within four hours of receipt in the morning, and an overnight turnaround if received in the afternoon. New facility cost centre set-ups continue to be processed during an invoice run cycle. Sulphur Corporate Average Price submissions are processed as they are received.

The department encourages timely submissions to allow sufficient turnaround time for corrections. The font size on faxed forms must be 10 point or greater and must not be bolded. Penalties will apply where valid system acceptable submissions are not received by the filing deadline. Barring the department's responsibility, inability to submit annual cost submissions on the Registry and/or illegible script will not reverse a penalty once imposed.

If you have any questions or require clarification, please contact your Volumetric & Cost Reporting portfolio representative, as identified in Section F of this bulletin.

Capital and Operating Cost Allowance Filing - Expected AC2 Reports on the Registry

The Crown deducts allowances for costs incurred and paid in Alberta for compressing, gathering and processing its royalty share of gas and gas products. Annual capital and operating cost allowances are combined on the AC2-V4 with an ability to allocate these cost allowances among working interest owners and multiple delivery facilities. The Facility Cost Centre (FCC) operator, on record at year end, is responsible for filing the AC2-V4 via the Registry.

The Expected AC2 Report identifies the FCC operator as of a specific date, the status of the FCC, its effective date and whether a valid AC2 was submitted for a production year.

The Expected AC2 Report is grouped by an Energy Resources Conservation Board (ERCB) Facility and related FCC. The report displays the following:

- Facility ID and Facility Name
- FCC ID and FCC Name
- "Y"(yes) and "N"(no) Indicators to identify whether or not the FCC is fully depreciated
- The FCC Operator Effective Date
- "Y"(yes) and "N"(no) Indicator to determine whether or not an AC2 was submitted for the production year
- All consolidated/amalgamated companies have been included within this report, where applicable.

The information in the report reflects the department's records as of the file preparation date and does not reflect submissions subsequently received and/or processed. Any submissions (AC1, AC2, Invoice Consolidation Concurrence – ICC1, etc.) processed after the report date will not be shown. The absence of a company name or FCC from these reports will not be an acceptable reason to waive a penalty once assessed.

The Expected AC2 Report is available in PDF, TXT and CSV formats and is generated weekly during the Gas Cost Allowance reporting season. The Expected AC2 Report will be available on the Registry weekly starting in February 2012 until mid-May 2012.

If you are not the operator for the FCC identified on the report, please submit a Facility Cost Centre Set-Up/Change (AC1-V2) via the Registry identifying the change in operator and its effective date. An AC1 submission identifying an FCC change in operator is due on or before the last day of the month following the production month in which the change occurred.

FCCs that are shut-in or terminated for an entire production year will not appear on the report. Operators of fully depreciated (zero remaining useful life) FCCs remain responsible for AC2-V4 submissions. Submissions are required to ensure the department has correctly identified Capital and Operating Cost Allowance allocations to working interest owners and/or other delivery facilities as well as Custom Processing Adjustment Factors for the FCC.

AC2-V4 submissions are required to be filed on the Registry. An AC2-V4 can be entered online or by batch. If a system acceptable AC2-V4 submission is not received and processed by the filing deadline (April 30th of the year following the production year to which it relates), a penalty will be assessed.

Please contact The Petroleum Registry of Alberta, Service Desk, at 1-800-992-1144 regarding access to or use of the Registry. The deadline for filing an AC2-V4, for the production year 2011, is April 30, 2012.

Custom Processing Allowance Fees Paid – Expected AC5 Reports on the Registry

Royalty clients who have incurred and paid for compressing, gathering and/or processing gas and gas products on a fee-for service basis, in Alberta, are required to submit an AC5-V4 to the department by May 15th of the year following the production year to which it relates. This includes custom processing fees associated with freehold, purchased, and out-of-province volumes. The Expected AC5 Report provides a complete list of the Energy Resources Conservation Board (ERCB) facilities and related Facility Cost Centres (FCCs) where the operator has allocated custom user volumes to the royalty client in Parts 6 and 10 (Custom Processing Adjustment Factor) of a Capital & Operating Cost Allowance AC2-V4 submission.

This report identifies the ERCB facilities and FCCs that the royalty client requires to file an AC5-V4. The information in the report identifies the department's records as of the file preparation date and does not reflect submissions subsequently received and/or processed.

The Expected AC5 Report is grouped by ERCB Facility and related FCC. The report displays the following:

- FCC ID, FCC Name & FCC Type
- Operator ID and Name allocating custom user volumes
- Allocated Custom Processing (CP) volumes in 103m3

In addition, as of the report generation date, there are "Y" (yes) and "N" (no) indicators for the previous and current production years that identify whether the:

- department has received a valid AC5 submission for the royalty client and
- the ERCB facility has been reported on the AC5 submission.

If a system acceptable AC5-V4 submission is not received and processed by its filing deadline (May 15th of the year following the production year to which it relates) it is subject to penalty charges upon receipt of the form. The absence of a company name or an FCC from these reports will not be an acceptable reason for a waiver of penalty.

The Expected Custom Processing Fees Paid (AC5) Report is available in PDF, TXT and CSV formats. The Expected AC5 Report will be available on the Registry weekly starting the second week of February 2012 until the last week of May 2012.

Operators of FCCs must use the Registry to retrieve the report. Non-operators and other royalty clients that currently submit and receive hard documents will continue to receive the Expected AC5 Report by mail. Electronic filers are required to submit their Allowable Cost forms via the Registry.

If you have any questions, please contact your Volumetric & Cost Reporting portfolio representative, as identified in Section F of this bulletin.

Please contact The Petroleum Registry of Alberta, Service Desk, at 1-800-992-1144 regarding access to or use of the Registry. The deadline for filing an AC5-V4, for the production year 2011, is May 15, 2012.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry.
To contact the Petroleum Registry of Alberta Service Desk:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: petroleumregistry.energy@gov.ab.ca

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)".

In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call the C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B, H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer. Below are some guidelines for clients who are unsure which Volumetric and Cost Reporting Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Volumetric and Cost Reporting regarding business for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Volumetric and Cost Reporting regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

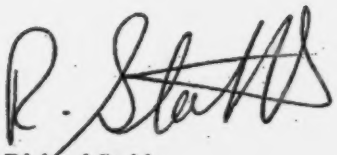
3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.

   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss

Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations

Attachments